

COVID-19 – Economic Support Packages – Detailed Notes

As the community and government response to COVID-19 escalates, there has been a wide range of assistance programs released over the past week and updated over the weekend. Some of the assistance is targeted specifically at individuals and families, while other measures are targeted to help businesses cope with pandemic related hardship.

The following is a summary of the government assistance that has been announced to date (23rd March):

Federal Government - Support for Business

The following is a summary of the assistance being provided to businesses by the Federal Government. More information can be found at <https://treasury.gov.au/coronavirus/businesses>

Boosting Cashflow for Employers:

- Tax credits of up to \$100,000 (split into 2 credits of up to \$50,000 each) to eligible small and medium sized business (and not-for-profits) that employ people, with a minimum credit of \$20,000. These credits are to assist businesses to keep operating, pay their rent and other bills and retain staff. These credits are tax free.
- Under the scheme, employers will receive a first credit equal to 100% of their PAYG tax withheld, with the maximum credit being \$50,000. The minimum credit is \$10,000.
- The first credit will be made automatically from the ATO **from 28th April** as an automatic credit in the activity statement system upon employers lodging eligible activity statements.
- If this credit results in a refund, then the refund will be forwarded to your bank account.
- An additional credit will be delivered as an automatic credit in the activity statement system upon employers lodging eligible activity statements. The payment for this period will be the same as the first period (up to a maximum of \$50,000 and a minimum of \$10,000).
- Eligible employers that pay salary and wages will receive a minimum credit of \$10,000, even if they are not required to withhold tax.

ELIGIBILITY - Boosting cash flow for Employers

Small and medium business entities with aggregated annual turnover under \$50 million and that employ workers are eligible. Eligibility will be based on prior year turnover.

Supporting Apprentices and Trainees:

- Eligible employers can apply for a wage subsidy of 50% of the apprentice's or trainee's wage paid during the 9 months from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer.
- Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).
- Employers can register for the subsidy from **early April**.

ELIGIBILITY – Supporting Apprentices and Trainees

- Available to small businesses employing fewer than 20 full-time employees who retain an apprentice or trainee.
- The apprentice or trainee must have been in training with a small business as at 1 March 2020.
- Employers of any size and Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will be eligible for the subsidy.
- Employers will be eligible to access the subsidy after an eligibility assessment is undertaken by an Australian Apprentice Support Network (AASN) provider.

Temporary Relief for financially distressed businesses:

- To reduce the threat of being pushed into insolvency and being forced to wind up a business, the Government is increasing the threshold at which creditors can issue a statutory demand to a company from \$2,000 to \$20,000
- The time companies have to respond to statutory demands will be extended from 21 days to six months. This will apply for six months.
- To assist individuals, the threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings will increase from \$5,000 to \$20,000. This will apply for six months.
- The time a debtor has to respond to a bankruptcy notice will increase from 21 days to six months. This will apply for six months.
- Directors of businesses also receive temporary relief from personal liability for trading while insolvent. It will apply for six months.

Increasing the instant asset write-off:

- The Government is increasing the instant asset write-off threshold from \$30,000 to \$150,000 and expanding access to include all businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020.
- For assets (new or used) purchased from 10.30am on **12 March 2020**

Backing Business Investment (BBI):

- The Government is introducing a time limited 15 month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions.
- The key features of the incentive are:
 - benefit — deduction of 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost;
 - eligible businesses — businesses with aggregated turnover below \$500 million; and
 - eligible assets — new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement (10.30am on 12 March 2020) and first used or installed by 30 June 2021. Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.
- There is no asset cost limit for assets to qualify for BBI
- BBI does not apply to assets written off under the instant asset write off

Supporting the flow of credit

Under the Scheme, the Government will provide a guarantee of 50 per cent to SME lenders for new unsecured loans to be used for working capital. This will enhance these lenders' willingness and ability to provide credit, which will result in SMEs being able to access additional funding to help support them through the upcoming months.

SMEs with a turnover of up to \$50 million will be eligible to receive these loans.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- Maximum total size of loans of \$250,000 per borrower
- The loans will be up to three years, with an initial six month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down. If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down in the future should they need to.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

Federal Government - Support for Individuals and Families

The following is a summary of the assistance being provided by the Federal Government to individuals and families. More information can be found at

<https://treasury.gov.au/coronavirus/households>

- ***Income support for individuals:***

- Those eligible for income support payments (Jobseeker Payment, Youth Allowance Jobseeker, Parenting Payment (Partnered or Single), Farm Household Allowance, and Special Benefits recipients will receive a Coronavirus supplement of \$550 per fortnight for the next six months **from 27th April**;
- Eligibility to income support payments for the next six months has been expanded to provide payment access for permanent employees who are stood down or lose their employment; sole traders; the self-employed; casual workers; and contract workers who meet the income tests as a result of the economic downturn due to the Coronavirus. This could also include a person required to care for someone who is affected by the Coronavirus.
- Asset testing will be waived for the period of the Coronavirus supplement
- Reduced waiting times, including the waiving of the ordinary one week waiting period and the liquid assets waiting period
- People will not be permitted, and will need to declare that they are not, accessing employer entitlements (such as annual and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker payment and youth allowance
- Faster claims processes - new applicants making a claim are encouraged to do so via on-line and mobile channels or over the phone. To claim online people will need to do so via their myGov account

- ***Payments to support households:***

- The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders. You can only receive one \$750 payment in each round even if you qualify in multiple ways.
- These payments are exempt from tax. **The first payment will be made from 31st March and the second from 13th July.** Those receiving an income support payment that is eligible for the Coronavirus supplement **will not be eligible** for the second payment.

Please click on this link for more information and refer to page 4 for eligibility

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Payments_to_support_households.pdf

- ***Temporary early access to superannuation:***

- Eligible individuals will be able to access up to \$10,000 of their superannuation before 1 July 2020 and a further \$10,000 from 1 July 2020 – 30 Sep 2020 (exact timing will depend on the passing of the relevant legislation)
- To be eligible, you must:
 - Be unemployed
 - Eligible to receive a Job Seeker payment
 - On or after 1 January 2020 you were

- Made redundant; or,
 - Your working hours were reduced by 20% or more; or,
 - If you are a sole trader, your business was suspended or there was a reduction in your turnover of 20% or more.
 - If you are eligible you can apply directly to the ATO through the myGov website <https://www.my.gov.au>
 - You can apply for early release of your super from mid-April 2020.
 - These payments will be tax free and will not affect Centrelink payments.
- **Temporary reduction in pension drawdown minimums from Retirement Funds:**
 - For those who are drawing a pension from their super fund, the minimum required pension for the 2019-20 and 2020-21 financial years is being reduced 50%. The table below summarises the change:

Age	Default minimum drawdown rates (%)	Reduced rates by 50 per cent for the 2019-20 and 2020-21 income years (%)
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 or more	14	7

- **Changes to Social Security deeming rates:**
 - The deeming rate for financial assets for those on social security is being reduced from 1 May 2020. The upper deeming rate will reduce to 2.25% (from 3%) and the lower deeming rate will reduce to 0.25% (from 1%).

Victorian Government - Support for Business

PAYROLL TAX

- Full payroll tax refunds for payroll tax paid to date for the 2019/20 financial year to small and medium-sized businesses (“SME’s”) who are registered for payroll tax and with payroll of less than \$3 million.
- Businesses will still have to lodge their payroll information as usual, but no payroll tax will be payable.
- Same businesses can defer payroll tax for the first three months of 2020/21 (Jul, Aug and Sep 2020) until 1st January 2021.
- The State Revenue Office will contact eligible businesses directly with information.

LAND TAX

- Land owners due to pay 2020 land tax that have at least one non-residential property and total taxable landholdings below \$1 million have the option of deferring their 2020 land tax payment until after 31 December 2020.
- The State Revenue Office will contact all taxpayers who are eligible for this deferral

RENT RELIEF

- Commercial tenants in government buildings can apply for rent relief.
- Private landlords will be encouraged to do the same where possible.
<https://www.vsbv.vic.gov.au/news-publication/dealing-with-covid-19-coronavirus-and-responding-to-difficulty-in-paying-rent/>

OTHER

- A *Business Support Fund* will be established to support hardest hit industries, including hospitality, tourism, accommodation, arts & entertainment and retail.
Register your interest for Economic Survival and Jobs Package:
<https://fs2.formsite.com/diirdwebteam3/u3qeftcfcc/index.html>
- A *Working for Victoria Fund* will be established to help workers who have lost their jobs to find new opportunities, including work delivering food or cleaning public infrastructure.
- All Victorian Government supplier invoices will be paid within 5 business days.
- Liquor Licencing fees will be waived for 2020 for affected venues and small businesses.
- For regular updates on the Victorian State Governments tax relief strategies, click here:
<https://www.sro.vic.gov.au/coronavirus>

BANKS - AUSTRALIAN BANKING ASSOCIATION

Australian banks have set up hardship teams offering assistance to those affected by COVID-19, bushfires, flood or drought, depending on your circumstances.

Assistance could include:

- deferring loan payments,
- waiving fees and charges,
- helping with debt consolidation,
- waiving penalties for early withdrawal of a term deposit or
- deferring upcoming credit card payments and increasing emergency limits

For a list of bank phone numbers for your own bank's hardship hotline, click this link:

<https://www.ausbanking.org.au/wp-content/uploads/2020/01/ABA-Financial-Hardship-Teams-Contact-Details.pdf>

Victorian Government - Support for Individuals

The Victorian Government has also announced a series of programs to assist Victorians to deal with coronavirus related issues.

Under an announcement on Sunday (22nd March), the Victorian Government will provide emergency relief packages to Victorians self-isolating due to COVID-19 with no access to food and essential supplies.

The program is to support those in mandatory self-isolation, who have little or no food, and no network of family or friends to support them. Each eligible household will receive a two-week supply of essential goods.

The emergency relief program will be co-ordinated by the Red Cross in partnership with Foodbank Victoria and will start from Monday 23rd March. Those wishing to access the program should call Victoria's dedicated coronavirus hotline 1800 675 398.

Those not eligible for the emergency relief packages are encouraged to be self-reliant and call on the help of family and friends wherever possible.